

63

Congress of the United States
House of Representatives
Washington, D.C. 20515

May 15, 2009

The Honorable Steven Rattner
Counselor to the Secretary of the Treasury
United States Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Mr. Rattner:

We are writing to express our serious concerns regarding the decision by the Auto Industry for the rapid and potentially disorderly elimination of thousands of Chrysler and General Motors dealerships. This action, if implemented, could put approximately 150,000 people out of work. Since these dealer reductions and its ripple effects would have a serious and adverse impact on the United States, we would like to ask you to inquire with the companies about their rationale for revoking franchise agreements with thousands of dealerships.

To justify these job losses, GM and Chrysler are apparently relying on a misperception that new car dealers create a cost burden to auto manufacturers. This is not true, on average reportedly almost all of an automaker's revenue comes from dealers purchasing the automakers' vehicles. Far from saving money, a rapid reduction in dealerships could very likely reduce GM's and Chrysler's revenue and market share.

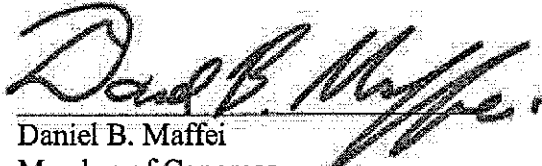
Automobile dealers are one of the largest private sector employers in the United States, providing tens of thousands of local jobs and contributing millions of dollars in tax revenues to states. Auto dealers are anchors in communities throughout the country and many times ownership is passed down from generation to generation. In addition many auto dealerships are minority owned and have traditionally provided strong local community support. Each dealership creates an average of 52 neighborhood jobs and these positions typically pay twice the national average as other retail-sector jobs. Dealers have invested about \$233 billion to create an auto sales network that provides a vast distribution and service channel for consumers. In fact, automakers created the franchise dealer network specifically to lower their costs, as they outsource virtually all costs associated with selling and servicing cars.

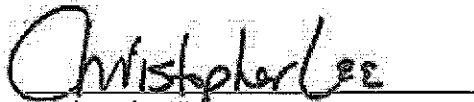
Last year, over a thousand auto dealers closed their doors for good. Further thinning of the dealer ranks through normal market, dealer-driven consolidation, and other forces is inevitable. The action being proposed has not taken into effect the impact on communities and workers, and without any evidence that massive and immediate dealer reductions are necessary to restore the financial health of GM and Chrysler.


We appreciate the enormity of the mission your Task Force has undertaken to help the auto industry. However, we are concerned the reduction of dealerships, at a time when


the national unemployment rate is rising, is counterproductive policy. We respectfully request that the Auto Task Force urge the companies to provide more transparency and justification on forced dealership closures, revisit their decision and consider the damaging effects on local communities.

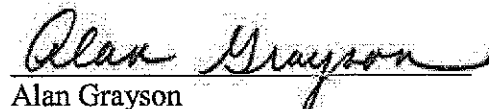
Sincerely,

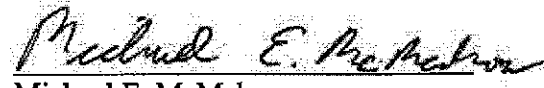

Daniel B. Maffei
Member of Congress



Christopher Lee
Member of Congress



Chris Van Hollen
Member of Congress



Betty McCollum
Member of Congress



Alan Grayson
Member of Congress



Michael E. McMahon
Member of Congress

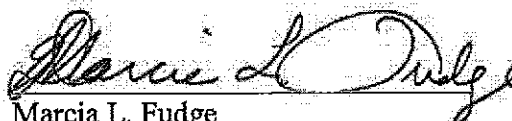

Sue Wilkins Myrick
Member of Congress


Mark H. Schauer
Member of Congress


Leonard Lance
Member of Congress


Dan Burton
Member of Congress


Suzanne M. Kosmas
Member of Congress


Marcia L. Fudge
Member of Congress